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PROJECT NO. 52373

REVIEW OF WHOLESALE ELECTRIC	§	BEFORE THE
MARKET DESIGN	§	PUBLIC UTILITY COMMISSION
	§	OF TEXAS

PROJECT NO. 52268

CALENDAR YEAR 2021- WORKSHOP	§	BEFORE THE
AGENDA ITEMS WITHOUT AN	§	PUBLIC UTILITY COMMISSION
ASSOCIATED CONTROL NUMBER	§	OF TEXAS

**SOUTHERN CROSS TRANSMISSION LLC'S
COMMENTS REGARDING DC TIES**

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

I. Introduction

Southern Cross Transmission LLC (“SCT”) appreciates the opportunity to file these comments in response to that part of Assistant Executive Director Connie Corona’s August 2, 2021 Memorandum referencing DC tie issues. These comments are not intended to be a response to the wholesale design questions in the August 2nd Memorandum. Instead, these comments will address some of the threshold considerations relating to DC ties. The August 2nd Memorandum mentioned that Commissioner Cobos will address DC ties at the upcoming September 2, 2021 Open Meeting and, of course, DC tie issues were raised at the Commission’s July 26, 2021 work session. SCT believes the Commission will want to consider these initial jurisdictional, operational, and market design matters as it begins its examination of DC tie operations during emergency conditions and, more generally, the role of DC ties in the ERCOT market now and in the future.

II. Southern Cross Transmission Project Overview

The Southern Cross Transmission Project (“SCT Project”) will be a bi-directional high voltage direct current (“HVDC”) transmission line that will asynchronously connect the ERCOT transmission system with transmission systems in the Southeast Electric Reliability Council (“SERC”) region. The transmission line will span approximately 400 miles between two HVDC

converter stations - one located in Louisiana adjacent to the Texas border and the other near the Mississippi-Alabama border. The eastern endpoint of the line offers access to at least three major transmissions systems within the SERC footprint. The western endpoint will be interconnected to the ERCOT system by a double-circuit 345kV transmission line to be owned and operated by Garland Power & Light (“GP&L”). The SCT Project was approved by the Federal Energy Regulatory Commission (“FERC”) in 2014, the GP&L Certificate of Convenience and Necessity (“CCN”) for SCT’s interconnection facilities was approved by the Commission in 2017, and SCT currently awaits resolution of the Commission’s directives to ERCOT which stemmed from the GP&L CCN docket.

III. Jurisdictional Issues Associated with DC Ties

As noted by Oncor in its filing in these projects, “While the current DC ties between ERCOT and adjoining regions allow electricity to flow between ERCOT and SPP or ERCOT and Mexico, these interconnections have been implemented and the transmission of electricity over those interconnections has been authorized by FERC, under Sections 210, 211, and 212 of the FPA [Federal Power Act] or through FERC disclaimers of jurisdiction. Importantly, these authorizations will not cause an entity participating in the interconnection and/or service associated with those ties to become a "public utility" under the FPA (and thus subject to plenary jurisdiction under the FPA).”¹

Similar to the existing DC ties, interconnection of the SCT Project to the ERCOT grid will maintain the jurisdictional status quo, as authorized by FERC under Sections 210, 211 and 212 of the FPA, and through FERC’s disclaimer of jurisdiction. SCT’s FERC Order states:

¹ PUC Project Nos. 52268 and 52373, *Oncor Electric Delivery Company LLC’s Comments Regarding DC Ties*, Aug. 16, 2021 at 2.

Compliance with this order and the Offer of Settlement shall not cause ERCOT, Oncor, CenterPoint, or any other ERCOT utility or other entity that is not already a public utility to become a “public utility” as that term is defined by section 201 of the FPA and subject to the jurisdiction of the Commission for any purpose other than for purposes of carrying out the provisions of sections 210 and 211 of the FPA.²

It is important to note that Congress enacted FPA Sections 210, 211 and 212 expressly to address the jurisdictional independence of ERCOT in the context of interconnections with adjoining electric systems. Whether such a statement is included in the FERC’s order, or not, the protection from becoming subject to the FERC’s plenary jurisdiction for all purposes is assured by the Federal Power Act and not the FERC’s order. The status quo is maintained by operation of statute through the express carve-out of entities subject to a Section 210/211 order from the definition of “public utility.”³

The Commission, the Texas Legislature and ERCOT stakeholders are committed to avoiding actions that might make the electric utilities in Texas subject to the plenary jurisdiction of the FERC and a mechanism is already in place for the Commission to ensure that any proposal for a new DC tie will meet the criteria to interconnect to ERCOT without triggering FERC’s plenary jurisdiction over ERCOT or any utilities within its footprint. During its 84th Regular Session in 2015, the Texas Legislature approved two bills, SB 776 and SB 933, that had the effect of, among other things, requiring municipal utilities to obtain a CCN and requiring a person wishing to interconnect with ERCOT in the future to apply for a CCN from the Commission not less than six months before applying for an interconnection order from FERC.⁴ The effect of these changes was to ensure that the Commission has ample opportunity to review proposed new DC tie

² FERC Docket No. TX-11-1-000, *Joint Application of Southern Cross Transmission LLC and Pattern Power Marketing LLC for an Order Directing Physical Interconnection of Facilities and Transmission Services under Sections 210, 211 and 212 of the Federal Power Act*. September 6, 2011.

³ See FPA Section 824(k).

⁴ PURA 37.051(c-1).

interconnections prior to federal consideration and to ensure no disruption of Texas' preferred jurisdictional relationship to FERC.

IV. DC Tie Performance During Emergency Conditions

As noted by Oncor in its filing, the existing DC ties in ERCOT connected to SPP and Mexico provided only limited help to ERCOT during Winter Storm Uri. The existing back-to-back ERCOT DC ties are rather small and connected to grids immediately adjacent to the ERCOT system. And of course, weather patterns often affect ERCOT and the immediately adjacent grids at the same time.

By contrast, the SCT Project will provide a 2,000 MW interconnection to geographically distant regions in different weather zones and a different time zone with substantial reserve margins and generating fleets comprised almost entirely of dispatchable generation resources. The bi-directional nature of the SCT Project allows power to flow into ERCOT when needed here or to flow into SERC when ERCOT is awash in excess generation capacity.

As Winter Storm Uri plunged Texas into a deep freeze on February 15, 2021, the temperature in Dallas dropped to a low of 6 degrees to a high of 14 degrees whereas the low temperature in Atlanta, Georgia that day was 43 degrees and the high was 50 degrees. A decade earlier during another extreme winter weather event affecting ERCOT during the morning of February 2, 2011 it was 14 degrees in Dallas at 6 a.m. as ERCOT was in rotating outages but it was 37 degrees in Atlanta.

There was ample excess generation capacity available in the Southeast region throughout the weeklong Winter Storm Uri emergency in ERCOT. In fact, a recently published study on interregional transmission noted that power prices in much of the Southeast remained relatively low throughout the period that ERCOT was at \$9,000/MWh, and estimated that power could have been kept on for at least 400,000 Texans during the event if SCT had been in service. This report further states:

. . . had Southern Cross been in service during Winter Storm Uri, it could have provided nearly \$2 billion in value by delivering 2 GW from the Southeast to ERCOT for the duration of the event. This value greatly exceeds the \$1.4 billion estimate cost for the transmission project in this single event, without even considering the additional billions of dollars in benefits it would provide over the many decades of the project's life.⁵

V. DC Ties in the Modern ERCOT Market

As illustrated above, when considering ERCOT's interconnections with outside bulk electricity systems, the Commission should consider not only what exists today and what has been done in the past but also what can and should be done for the future, especially considering that the fully approved SCT Project awaiting interconnection today will almost triple ERCOT's total current DC tie capacity. DC ties have largely been an afterthought in the ERCOT market design discussion and Texans routinely lose many benefits afforded by access to non-ERCOT markets under existing policies and practices. For example:

- The Commission's rule for transmission rates applicable to DC tie exports was adopted prior to the existence of the modern ERCOT market and fails to include the entities actually engaged in DC tie exports (Qualified Scheduling Entities), instead referencing parties which do not engage in DC tie exports (Distribution Service Providers).
- Moreover, the tariff design often discourages energy exports precisely during some periods when both the ERCOT grid and the ERCOT Real-Time energy market would benefit from "bleeding some wind generation off the system" and making room in the dispatch stack for dispatchable resources which contribute inertia to the system. For example, there are periods even in the summer when there are times when there is low demand on the grid, and a very high penetration of wind generation on the system.⁶

⁵ *Transmission Makes the Power System Resilient to Extreme Weather*, prepared by Grid Strategies LLC, for the American Council of Renewable Energy (ACORE), Published July 21, 2021. Available online at: [GS_Resilient-Transmission_proof.pdf \(acore.org\)](https://www.acore.org/wp-content/uploads/2021/07/GS_Resilient-Transmission_proof.pdf)

⁶ PUC Project 46393 *Rulemaking Proceeding to Repeal and Replace 16 Tex. Admin. Code §25.192, Relating to Transmission Service Rates*, Comments of Southern Cross Transmission LLC on Staff Strawman. Dec. 7, 2016, at 8-18.

- Other ambiguities in the rule and inefficiencies in tariff administration have resulted in a long history of under-collecting transmission charges from exporters to the ultimate detriment of ERCOT ratepayers, who are supposed to benefit from the offset to future utility revenue requirements from the collected charges. Although the tariff is administered in a rather opaque manner, it is common knowledge that not one single megawatt-hour exported from the ERCOT region has been assessed the full transmission rate required by the Commission's rule since the launch of the modern ERCOT market in 2001.⁷

The Commission has the opportunity in the current post-Uri evaluation period to ensure DC ties, the market functions, and technical capabilities that they provide are fully considered within the ERCOT market design framework to align market participant behavior with desired reliability outcomes and fully integrated within ERCOT system planning and operations for both steady state and emergency conditions.

VI. Conclusion

This month marked the 11th anniversary of the SCT Project's formal submittal in the ERCOT regional planning process.⁸ More than seven years ago, FERC ordered the interconnection of the SCT Project and accompanying transmission service from ERCOT utilities, which will remain outside the FERC's plenary jurisdiction. Just over four years ago, the Commission approved GP&L's CCN application to interconnect the SCT Project and ordered ERCOT to complete 12 directives related to the SCT Project's integration with the ERCOT system.⁹ On August 10, the ERCOT Board certified completion of Directive No. 9 relating to ancillary services requirements, bringing the number of completed directives to seven, plus one partially completed directive. SCT is hopeful the remaining substantive directives can be completed next year.

⁷ Ibid, pp, 6-7.

⁸ <http://www.ercot.com/calendar/2010/8/13/34791-RPG>

⁹ PUC Docket No. 45624, *Order on Rehearing*. May 23, 2017. PUC Project No. 46304, *Revised Order Creating and Scoping Project*. May 23, 2017.

Lest we be misunderstood by pointing out how many years have passed while the SCT Project has been under regulatory consideration, SCT wishes to clearly state it has enjoyed a largely collaborative work effort with ERCOT, the Commission, and stakeholders throughout our long journey through state and federal processes and the technical work necessary to figure out how to make possible economic transfers of energy at a meaningful scale to and from Texas while maintaining Texas' existing jurisdictional relationship to FERC and delivering a project financed entirely by private capital with zero contribution from ERCOT ratepayers. SCT believes these long processes have yielded beneficial scrutiny of DC tie integration (or lack thereof) within the ERCOT universe. SCT believes many lessons have been learned and many processes refined along the way. SCT believes the Commission can further these efforts by ensuring DC ties are fully considered in the context of the broader market design discussions underway at this time.

Popular folk wisdom states, "The best time to plant a tree is 20 years ago. The second best time is now." SCT appreciates the opportunity to provide these comments for the Commission's consideration.

Respectfully submitted,

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